

## IV. AFFORDABILITY REQUIREMENTS FOR RENTAL UNITS

### A. Calculation of Affordable Rents

The calculation of the rent allowed by the City for an affordable rental unit depends on the last two factors discussed above: the “target income percentage” and the “unit size adjustment.”

Target income percentages and unit size adjustments for rental units are often dictated by the requirements of specific subsidy programs. For example, state redevelopment law provides that, if the City’s Redevelopment Agency housing funds are used to subsidize low income rental units, those rents must be no more than 30% of the income of a household at 60% of HCAMI. State Redevelopment law also specifies that the rent for a 2-bedroom unit should be calculated based on the income of a 3 person household. Thus, the maximum rent for a two-bedroom unit receiving below-market rate financing from the City’s Redevelopment Agency would be calculated as follows:

|                                 |                            |
|---------------------------------|----------------------------|
| High Cost Area Median Income:   | \$74,000 (as of May, 2010) |
| Target income percentage:       | x 60%                      |
| Unit size adjustment for a      |                            |
| 2 bd unit (3 person household): | x 90%                      |
| Percentage of income for rent:  | x 30%                      |
| Divided by 12 months:           | / 12                       |
| Maximum monthly rent:           | = \$999                    |

Thus, the affordable rent for a low income household in a two bedroom unit would be the fixed amount of \$999. This monthly rent would be affordable to most 3-person low income households, with those households earning between 61% and 80% of HCAMI paying less than 30% of their income for rent, and those earning between 50% and 59% paying somewhat more than 30%.

It should be noted that state redevelopment law permits higher rents for households with incomes between 60% and 80% of HCAMI; rents for those households may be set at 30% of the *actual household income*. The City may approve these higher rents in exceptional circumstances, but the City's standard requirement for low income units receiving Redevelopment Agency housing funds is that the rents be affordable at a target income of 60% of HCAMI.

The City uses several subsidy programs and incentives, and therefore uses several different target income percentages. The following table summarizes the target income percentages most commonly used by the City for affordable rental projects.

Note: In the case of the Federal Home funds (“High-HOME”), the maximum income for the residents is 60% of HCAMI, but the target rent is set under federal HOME regulations at 65% of HCAMI. The result of this HUD regulation is that low income renters of HOME-assisted units will pay more than 30% of their incomes for rent.